

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: IES UTILITIES INC. and INTERSTATE POWER COMPANY	DOCKET NOS. TF-00-262 TF-00-263
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ORDER APPROVING TARIFFS AND REQUIRING ADDITIONAL INFORMATION

(Issued December 21, 2000)

On October 12, 2000, IES Utilities Inc. (IES) and Interstate Power Company (Interstate) filed with the Utilities Board (Board) proposed tariffs, identified as TF-00-262 and TF-00-263, to implement the Second Nature Renewable Energy Program (Second Nature Program). The proposed tariffs would allow residential customers to voluntarily participate in a program which finances generation technologies that rely on renewable resources or support renewable energy efforts. Participating customers would pay an additional charge for each kilowatt-hour of electricity.

On October 31, 2000, the Consumer Advocate Division of the Department of Justice (Consumer Advocate) filed conditional objections to the tariff. Consumer Advocate said it was working with IES and Interstate to resolve outstanding issues and would report to the Board when negotiations are finished. The Board therefore docketed the tariffs for further investigation on November 7, 2000. A procedural schedule was not set. The order required IES and Consumer Advocate to file a joint

status report detailing the progress of their negotiations on or before December 22, 2000.

On November 22, 2000, the joint status report was filed. The report indicated IES, Interstate, and Consumer Advocate had resolved all outstanding issues. Consumer Advocate withdrew its conditional objections to the proposed tariffs on November 29, 2000. The joint report was not a settlement agreement but could be characterized as a clarification of how the tariffs will be implemented.

MidAmerican Energy Company (MidAmerican) filed a petition to intervene on November 27, 2000. The Board granted the petition on December 6, 2000. MidAmerican has not objected to the proposed tariffs.

The Second Nature Program is designed to allow residential customers the option of receiving electricity that has been generated by a renewable energy source. Participating customers can choose to have 25 percent, 50 percent, or 100 percent of their electricity generated by renewable sources. Participants do not have to sign a contract for any term and are free to leave the program or change their participation level at any time. Depending on the participation level, the charge per kilowatt-hour for the program is \$0.005 to \$0.02.

Based on a penetration rate of 1 percent, or 3,000 Iowa customers, IES and Interstate estimate that 23,000,000 kWh of fossil fuel production will be offset with production from renewable sources. IES and Interstate have targeted participation levels at 1 to 4 percent. Energy for Iowa customers will be provided by four wind turbine generators, two located in Osceola County, Iowa, and two located in Minnesota.

It is important to note that the proposed voluntary tariffs are in addition to IES' and Interstate's statutory obligation to purchase alternate energy pursuant to Iowa Code § 476.44(2). Energy purchased pursuant to this statutory obligation is paid for by all of IES' and Interstate's ratepayers. Any renewable energy voluntarily purchased by participants in the Second Nature Program is in excess of this statutory mandate and is paid for only by participants in the Second Nature Program.

The joint report filed on November 22, 2000, clarified certain aspects of the tariff. IES and Interstate, for the year 2001, will include in the energy adjustment clause (EAC) for all customers the average kWh cost for the period November 1999 through October 2000. Using average EAC costs insures that only participating customers pay additional costs associated with the Second Nature Program. The report also contains a true-up mechanism and certain reporting requirements.

The Board will approve the proposed tariffs, as clarified by the joint report. The program is voluntary and allows customers the option of purchasing renewable or "green" power in excess of that mandated by Iowa's alternate energy statutes. The Second Nature Program, because it is voluntary, does not violate the rate freeze agreed to by IES and Interstate in conjunction with the merger proceeding with Wisconsin Power and Light to form Alliant Energy. Not only is initial participation voluntary, but participants can leave the program or change their participation level at any time.

Alliant Energy also offers this program in Wisconsin, and information provided by IES and Interstate shows that each state will be accounted for separately and no cross-subsidization will occur. Purchases will be made monthly for each state's

program and if more kWh's are purchased than sold in a given month, those kWh will be "banked" for future months.

The Board will require IES and Interstate to file a program status report nine months after the start of the Second Nature Program. The report is to summarize purchases, sales, costs, participation levels, accounting practices, and a general overview of the program. In addition, IES' and Interstate's monthly EAC filings are to include a summary of purchases made under the Second Nature Program.

IT IS THEREFORE ORDERED:

1. Tariff filings TF-00-262 and TF-00-263 are approved, as clarified by the November 22, 2000, joint report, subject to complaint or investigation.
2. IES Utilities Inc. and Interstate Power Company shall provide the additional information required by this order within the time frames identified in the body of the order.

UTILITIES BOARD

/s/ Allan T. Thoms

/s/ Susan J. Frye

ATTEST:

/s/ Raymond K. Vawter, Jr.
Executive Secretary

/s/ Diane Munns

Dated at Des Moines, Iowa, this 21st day of December, 2000.